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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 003037

SIPDIS

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TAGS: [PREL](#) [ETRD](#) [EPET](#) [RS](#) [IZ](#)

SUBJECT: FURTHER ON RUSSIAN COMPANIES IN IRAQ

REF: A. MOSCOW 8677

[1](#)B. MOSCOW 8678

Classified By: Charge d' Affaires David M. Satterfield for reasons 1.4

(b) and (d)

[1](#)1. (C) Embassy Baghdad read with great interest Embassy Moscow's two excellent cables on Russian companies in Iraq and on how Russia is coming to terms with the new Iraq (REFTELS), and wanted to add that at least one Russian company is reaching out to the U.S. in Baghdad in an attempt to generate business. On July 10, former Russian Ambassador to Syria Alexander I. Zotov (now retired) called on Charge ostensibly to discuss political developments in Iraq. In reality, he wanted to discuss business prospects for a company he is now representing, Russian Engineering Company.

[1](#)2. (C) Zotov reminisced about how his first overseas assignment was as a junior officer in Moscow's Embassy in Baghdad. He feels as if he has come full circle and says he is motivated by a strong desire to help the Iraqi people. He said that to do so, he has come to the realization that to help Iraqis, one must work with the Americans. The company he represents operates in the south of Iraq but currently has very little work to do. Although Zotov's card indicates he works for the "Russian Engineering Company," he passed us another with the name of the person in charge in Iraq that listed a company name of "Energo Engineering Enterprises." (The logo bears a strong resemblance to the now infamous Enron E.)

[1](#)3. (C) Zotov explained that in his view, four of Iraq's biggest problems are unemployment, lack of adequate energy generation, difficulties with transport, and a failure to maximize oil exports. He said his company is well placed to help solve all these by employing large numbers of Iraqis, constructing power plants, helping to clear Iraq's Persian Gulf ports to open the country up to cheaper and more efficient ways of moving its products, and by repairing the Basra oil terminals. He estimated that Iraq loses more than one million dollars a day by having to utilize roundabout shipping routes and lamented the fact that his firm has been negotiating for over a year on the port clearing contract. This means the Iraqis have lost more revenue by doing nothing than they would have by paying the contract price for the project.

[1](#)4. (C) Zotov said he understands that because the U.S. is funding most of Iraq's major projects there is a preference to give the work to American companies. All he is asking for, he said, is a fair chance to compete for some of the projects coming on line. He said that his company has been in Iraq for some time, knows the country well, and is ready to go to work. IRMO Senior Transportation Advisor, who along with Acting PolMil Counselor was present with the Charge, advised Zotov that contracts for salvaging and dredging operations at Basra would be coming out soon, and that the terminals will be rebuilt, although not for one or two more years. He also advised him that so far \$40M has been spent or committed on these projects. He offered to forward Zotov's contact information to the Ministry of Oil.

[1](#)5. (C) On the political front, Zotov told Charge that he has spoken with the Prime Minister and advised him that Russia, too, had recently undergone revolutionary changes. He said that under present circumstances extraordinary steps are needed by the Iraqi Transitional Government (ITG) and that the people need to be convinced their leadership is moving forward to solve the country's problems, not merely engaging in political infighting designed to protect their own positions. Zotov says he told the PM that the ITG needs to be in touch with the people, make decisions, and take action. He warned that the reconstruction process was mired in bureaucracy and urged that corners be cut and necessary steps be taken to produce discernable results that will give hope to the people.

[1](#)6. COMMENT: Zotov seemed somewhat of a forlorn figure, diligently making the rounds in search of business opportunities that may prove elusive. It was evident that he would prefer to be acting in his old diplomatic capacity, rather than as a representative/salesman of a private enterprise competing in a tough market that appears at least a bit stacked against his client/employer. END COMMENT.

17. REO HILLAH, REO BASRAH, REO KIRKUK, REO MOSUL minimize
considered.
Satterfield